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Supreme Court, U.S.
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No. 02-450

IN THE

Supreme Court of the United States

GFI, INC.,

Petitioner,

v.

FRANKLIN CORPORATION, *et al.*,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF RESPONDENT PARKHILL IN OPPOSITION

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QUESTIONS PRESENTED

1. Should the obligation of an applicant to disclose to the Patent Office information bearing on the patentability of his invention include information that the applicant believes probably would disclose prior art under 35 U.S.C. 102(g)?

2. Would a rule that patent applicants are not required to disclose information that the applicant believes probably would disclose prior art under 35 U.S.C. 102(g) be in the best interest of the patent system?

3. Should the obligation of an applicant to disclose to the Patent Office information bearing on the patentability of his invention include information of contemporaneous conception and reduction to practice of the invention by another which would indicate obviousness of the invention to one having ordinary skill in the art as set forth in 35 U.S.C. 103?

PARTIES TO THE PROCEEDING

PETITIONER

Petitioner is GFI, Inc., a Mississippi corporation formerly known as The Gentry Gallery, Inc., as stated in the Petition For Writ Of Certiorari.

RESPONDENTS

Respondents are as stated in the Petition For Writ Of Certiorari, except that the correct name for the party identified as "Parkhill Furniture, Inc." is "Parkhill Furniture Company, Inc." No publicly held company owns ten percent (10%) or more of the stock of respondent Parkhill Furniture Company, Inc.

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STATEMENT OF THE CASE

The trial Court found GFI and its counsel committed five separate acts, each one of which constituted inequitable conduct before the Patent Office, to obtain issuance of a patent for an invention by its employee named Sproule. The Federal Circuit Court of Appeals affirmed, and discussed the strongest of those five acts, the intentional withholding of material information regarding the contemporaneous conception and reduction to practice of the same invention by a furniture designer named Durling.

Title 35 U.S.C. 135 establishes the procedure for resolving the issue of priority of invention between two inventors who have invented the same invention. Durling filed an application for a patent on his invention on November 5, 1990. GFI filed its application for a patent on its employee, Sproule's, invention on January 3, 1991. The initial claims of GFI's application covered the invention that Durling claimed on November 5, 1990. On those facts, an interference should have been declared between Durling, as the senior party, and GFI's employee, Sproule, as the junior party. Had that happened, GFI would have had the burden of proving its employee was the first inventor of that invention. If GFI failed to carry that burden, the PTO would have issued a patent to Durling, which patent would have been prior art under 35 U.S.C. 102(g), precluding the grant of a patent to GFI on Sproule's invention.

GFI's knowledge of Durling's invention began when GFI introduced Sproule's sofa to the public during the first day of the High Point market in October, 1990. Durling stormed into GFI's display area and vehemently accused GFI of stealing his invention. Sproule and other GFI representatives tried to calm Durling, and led him to a hotel to discuss the matter in private. They also immediately called GFI's patent counsel, George Greenfield, who advised them to obtain a license from Durling.

Shortly after this confrontation, GFI's representatives visited Durling and saw his invention. They saw a sofa with side-by-side recliners separated by a console on which were mounted pushbutton controls. Durling told them that Major Motion had shown furniture based on this design at the July 1990 Atlanta market. He also told them that his reclining sofa could easily be converted to a sectional sofa. Although GFI's president, Terry, denied being there, other evidence made clear that he saw the Major Motion display at the July 1990 market.

Terry informed Greenfield what he had seen and had been told by Durling, which caused Greenfield to write a letter dated October 26, 1990, advising GFI that if this potential priority conflict were decided in favor of Durling, GFI would be prevented from obtaining a patent on Sproule's invention:

> "If, in fact, Durling developed his sofa before Gentry developed its sectional sofa, I have serious doubts as to whether Gentry can obtain any meaningful protection on its sectional sofa. I assume that the Durling sofa could be used as part of a sectional sofa if the outside arm of one of the reclining seats were cut down so as not to extend above the seat. If the Durling arm were cut down or removed as suggested, would not the sofa be readily usable in combination with a wedge and additional sofa section? ...I am quite skeptical about the chances of obtaining a patent covering the Gentry furniture as I have defined it above, if Durling is considered prior art."

Terry and Sproule understood that if Durling invented prior to Sproule, that his invention would be considered prior art, and GFI could not obtain a patent on Sproule's invention. At GFI's request, Durling's counsel sent Greenfield a copy of Durling's patent application in early November, 1990, almost two months before Greenfield filed the Sproule '244 application on behalf

of GFI. During license negotiations, Durling proposed that he and GFI simultaneously exchange the information regarding their relative dates of invention, but GFI refused. Despite the crucial nature of the priority conflict, GFI dropped the matter, and pursued its patent application without accepting conclusive proof of whether Durling had invented before Sproule.

The facts of this case established to the satisfaction of the trial Court and the Federal Circuit Court of Appeals that GFI, during the prosecution of its application for patent, when it filed a Petition To Make Special on February 26, 1991, and during an interview with the examiner and supervisory examiner on June 12, 1991, believed that the issue of priority of invention between its inventor and Durling probably would be resolved in Durling's favor, making Durling's invention prior art as defined in 35 U.S.C. 102(g).

GFI argued unsuccessfully that because that issue of priority of invention had not been proven irrefutably to its satisfaction, it had no obligation to disclose the material information it did know regarding that issue to the Patent Office in that Petition or during that interview with the patent examiners. The Federal Circuit Court of Appeals held GFI was obligated to disclose that "potential priority conflict" with this language:

> "The strongest case for deceptive intent are the Durling references. It is undisputed that GFI was aware of the references. GFI possessed a copy of the Durling patent application (sent to it by Durling) and Sproule had seen the model with console-mounted controls prior to the filing of the '244 patent application. GFI also entered into active negotiations with Durling to obtain priority information to assess the need for a license from Durling and the ability to obtain a patent on Sproule's concept. Despite their

> knowledge and the discussions conducted during the pendency of the '244 patent application, no disclosure was made to the PTO. We have held deceptive intent to be shown where a patentee withheld references and made an argument for patentability that could not have been made had the art been disclosed. [citing case] Here, GFI specifically distinguished the disclosed references by arguing that none of them had console-mounted controls despite Sproule's prior knowledge that Durling had built a model with center-mounted recliner controls prior to the filing of the '244 patent application. Beyond its arguments that the Durling references were not material, which we have rejected, GFI does little more than deny any intent to deceive the Patent and Trademark Office. The district court did not clearly err in finding that the threshold deceptive intent was proven by clear and convincing evidence for the Durling references." (11a).

Although the Federal Circuit Court of Appeals did not discuss a second reason why the Durling information would have been important to the examiner, there is another reason why the Durling information was material, and should have been disclosed to the Patent Office. The fact that Durling, a person having ordinary skill in the art, conceived the invention contemporaneously with Sproule is relevant to an examiner's consideration of whether the subject matter as a whole would have been obvious to one having ordinary skill in the art at the time of invention by Durling and Sproule, which could preclude the grant of a patent to GFI under 35 U.S.C. 103.

The detail and persuasiveness of the relevant Durling information known to GFI before filing of its application establish that information as material under 35 U.S.C. 103, imposing an obligation on GFI to disclose that information to

the Patent Office, even if that material information were not prior art under 35 U.S.C. 102. The Federal Circuit said:

> "Even if the prior art dispute had been resolved in the manner asserted by GFI, Durling's status as prior art is not dispositive of its materiality because a reasonable examiner would have been substantially likely to find important the two recliners separated by a center console of Durling's patent application and the center-mounted console of the Durling model viewed by Sproule prior to the filing of the application that issued as the '244 patent. The Durling references were not cumulative because no reference before the examiner disclosed this combination of required elements." (10a).

The Federal Circuit specifically stated that "GFI argues that Durling cannot be material because it is not prior art. That is not the law...." Contrary to GFI's arguments, the law is settled, and should not be disturbed by the grant of GFI's Petition For Writ Of Certiorari.

SUMMARY OF ARGUMENT

Parkhill Furniture Company, Inc. opposes the grant of GFI's Petition For Writ Of Certiorari served on it by mail on September 18, 2002.

GFI petitions this Court to formulate a new rule that restricts the information an applicant for a patent must disclose to the Patent Office to no more than what is known by that applicant to be prior art as defined by 35 U.S.C. 102, and allow that applicant to keep secret from the PTO all other material information a reasonable examiner would consider important in deciding whether to allow the application to issue as a patent.

If such a new rule governed, many more invalid patents would issue from the Patent Office. 35 U.S.C. 282 provides that "[a] patent shall be presumed valid." Proof of invalidity of a patent must be by clear and convincing evidence. Hence, an applicant who can withhold such crucial material information from the PTO, and obtain a patent because the examiner does not learn about such material information, stands a very good chance of restricting markets and extracting unjust payments from potential and actual infringers. That result would not be in the best interest of consumers, the economy or the patent system.

And, if the material information withheld from the examiner related to a potential priority conflict, the patent system, which is designed to award the patent to the first inventor, often would be thwarted. The courts would become more crowded with cries for relief from the actual first inventors, and resources wasted, which could be put to better use developing businesses to bring the fruits of invention to the consumer.

In the present case, the trial Court held that the defendants had not established, by clear and convincing evidence, that the '244 invention would have been obvious to one having ordinary skill in the art. That holding gave due deference to the presumption of validity provided by 35 U.S.C. 282. Contrary to GFI's argument (p.11), the trial Court did not assume that the examiner would have found the '244 invention to have been nonobvious even if GFI had disclosed the material Durling information to the examiner during the prosecution of its application for the '244 patent.

ARGUMENT

Parkhill Furniture Company, Inc. opposes the grant of GFI's Petition For Writ Of Certiorari served on it by mail on September 18, 2002.

A. Patent Applicants Must Disclose Both Prior Art And Other Material Information

GFI begins by mischaracterizing the law. According to GFI, unless information has been determined to be prior art, it cannot be material and thus may be freely concealed from the Patent and Trademark Office. That is not, and should not be, the law.

The starting point for a determination of materiality is the version of 37 C.F.R. 1.56 (Rule 56) that was in effect during the prosecution of GFI's application for patent:

> "[I]ndividuals have a duty to disclose to the [PTO] information they are aware of which is material to the examination of the application. Such information is material where there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent."

See Molins PLC v. Textron, Inc., 48 F.3d 1172, 1179 n.8 (Fed. Cir. 1995). The Federal Circuit Court of Appeals has held many times, consistent with Rule 56, "[a] patent applicant's duty to disclose is not limited to disclosing prior art. A patent applicant must disclose any material information to the PTO." *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1258 (Fed. Cir. 1997). *See also Akron Polymer Container Corp. v. Exxel Container, Inc.*, 148 F.3d 1380, 1382 (Fed. Cir. 1998); *Refac Int'l Ltd. v. Lotus Dev. Corp.*, 81 F.3d 1576, 1581-85 (Fed. Cir. 1996). Material information can come into an applicant's possession from any source, including

competitors, and is not limited to the results of a prior art search. *See* Manual of Patent Examining Procedure 2001.06 (7th ed. Rev. Feb. 2000) ("MPEP"). The trial Court thus correctly held that "[m]aterial information is not limited to references that qualify as 'prior art.'"

Of particular significance for this case, inventorship disputes and co-pending patent applications can be material information that must be disclosed. Section 2004 of the MPEP requires disclosure of inventorship disputes, and the record shows Greenfield understood this requirement. *See Critikon*, 120 F.3d 1257 (ongoing litigation may be material information that must be disclosed). Similarly, the Federal Circuit Court of Appeals has squarely held that an applicant must disclose co-pending applications covering similar inventions. *Molins*, 48 F.3d at 1185; *Akron Polymer*, 148 F.3d at 1381-82. By failing to disclose the Durling application, GFI breached this duty.

GFI tries to avoid this conclusion by attempting to distinguish *Akron Polymer* on irrelevant grounds and by ignoring *Molins*. *Akron Polymer*, GFI asserts, is inapposite because the co-pending application there raised a question of double patenting, which is not present here. (p.21) But GFI never explains why a potential double patenting objection is of any greater concern than prior invention by another, or obviousness. The rule is that any information that an examiner would be "substantially likely" to consider important is material and must be disclosed. *Akron Polymer*, 148 F.3d at 1382; *Critikon*, 120 F.3d at 1258. Whether the information is important because relevant to double patenting or because relevant to other patentability questions makes no difference.

The law imposes these disclosure obligations on applicants for sound reasons. An applicant who knows that another has claimed prior inventorship, or submitted an application covering a highly similar invention, has information that a

reasonable examiner would unquestionably consider important. Absent disclosure by the applicant, however, such information will (unlike prior art patents, for example) virtually never come to the examiner's attention. If the disclosure obligation were limited only to those rare instances in which the applicant is convinced (and is willing to admit) that a competing claimant has conclusively established priority – which is, in effect, the rule advocated by GFI – patent applicants, rather than patent examiners, would decide whether the prerequisites to patentability have been established. But Congress has entrusted that decision to the PTO.

GFI places its reliance upon decisions involving information that was immaterial as a matter of law. In *Reactive Metals and Alloys Corp. v. ESM, Inc.*, 769 F.2d 1578, 1583 (Fed. Cir. 1985), it was held that prefiling use of the claimed invention during the one-year grace period of 35 U.S.C. 102(b) could not trigger the "public use or on-sale" bar and thus was immaterial as a matter of law. A similar legal issue was presented in *Hupp v. Siroflex of America, Inc.*, 122 F.3d 1456 (Fed. Cir. 1997): whether submission of the invention on a known date to a third party was an "on-sale event" under section 102(b). *See also Allied Colloids Inc. v. American Cyanamid Co.*, 64 F.3d 1570 (Fed. Cir. 1995) (experimental use not a "public use" under 102(b)). In *Kimberly-Clark Corp. v. Johnson & Johnson*, 745 F.2d 1437 (Fed Cir. 1984), *Northern Telecom, Inc. v. Datapoint Corp.*, 908 F.2d 931 (Fed Cir. 1990), and *Environmental Designs, Ltd. v. Union Oil Co.*, 713 F.2d 693 (Fed. Cir.1983), the references at issue were either conceded or had been conclusively determined not to be prior art. None of these cases even suggests that an applicant may withhold information based on the applicant's unilateral resolution of disputed issues.

B. The Durling Information Was Highly Material Even If It Were Not Prior Art

Even if GFI's view of the law were correct, and it is not, the rule for which it argues could assist it here only if it had been determined that the Durling information were not prior art. The trial Court made no such a finding; and, the Federal Circuit Court of Appeals declined to make such a finding in the first instance on appeal. (p.11). GFI argues, to mislead this Court, that both lower Courts "assumed" that the Durling activity was not prior art. (p.11). Reading the opinions of both lower Courts makes clear that neither Court made such an assumption; but to the contrary, both lower Courts believed such a finding was unnecessary because the Durling activity was highly material, and should have been disclosed to the PTO, even if it were not prior art.

If GFI had disclosed the Durling activity to the PTO, and an interference declared between During, as the senior party because he was the first to file an application for patent, and Sproule, as the junior party because he was the second to file an application for patent, the record made before the trial Court reveals that GFI would have been unable to carry the burden of proving that Sproule invented the invention before Durling. Accordingly, had that potential priority conflict been determined, Durling would have been found to be prior art.

GFI cannot deny that the priority conflict between Durling and Sproule was hotly contested throughout the prosecution of GFI's patent application. Before filing that application, GFI declined to learn Durling's dates of invention, when offered, because it believed there was a substantial likelihood that During was the first inventor. Instead, GFI sought to license Durling's invention, so that GFI would be able to practice the invention in case the priority conflict were determined. GFI's patent counsel, Greenfield, admitted during his testimony

before the trial Court that, to this day, he still does not know who invented first. The record makes clear that Greenfield believed there was a substantial likelihood that Durling was the first inventor.

Further, although GFI asserts that Durling was not prior art, it cannot deny that, at a minimum, Durling invented at approximately the same time as Sproule. Evidence of contemporaneous invention is an important consideration under 35 U.S.C. 103. *In re Merck & Co.*, 800 F.2d 1091, 1098 (Fed. Cir. 1986); *In re Farrenkopf*, 713 F.2d 714, 719-20 (Fed. Cir. 1983). Such evidence is probative "of the level of knowledge in the art at the time the invention was made." *Farrenkopf*, 713 at 720. Thus, even if Durling's invention did not pre-date Sproule's, it certainly was "reasonably contemporaneous" and indicative of the level of knowledge in the art at the relevant time. For this additional reason, a reasonable examiner would have considered the information about Durling's activity important.

In sum, this is not a case like *Hebert v. Lisle Corp.*, 99 F.3d 1109 (Fed. Cir. 1996), on which GFI relies. (p.16-17). In *Hebert*, the applicant had been told by a prospective licensee that other inventors had already submitted "a very similar" idea. 99 F.3d at 1112. The applicant, however, did not know who these "other inventors" were, what their "ideas" were, or whether those ideas had been reduced to practice. *Id.* At 1113. The Federal Circuit Court of Appeals, not surprisingly, held that such vague assertions of prior inventorship – made by someone who was not one of the supposed prior inventors – need not be disclosed. *Id.* at 1115-16. In stark contrast, GFI knew the other inventor, knew exactly what Durling had invented, knew that the Durling furniture was very similar to its own, knew that Durling had reduced his idea to practice, knew that the Durling furniture cast doubt on the patentability of Sproule's invention, and knew that Durling had filed a patent

application and provided GFI with a copy. Nothing in any decision of the Federal Circuit Court of Appeals suggests that an applicant may withhold such relevant and specific information.

Similarly, this case bears little resemblance to *Life Technologies, Inc. v. Clontech Laboratories, Inc.*, 224 F.3d 1320 (Fed. Cir. 2000), upon which GFI relies. (p.15-16). Although GFI argues that the "potential priority conflict" in that case is precisely the same as here, scrutiny of the facts shows the contrary is true. In *Life*, during a telephone conversation with one of the inventors, another researcher, Goff, stated that he had developed "oligonucleotide insertion mutations that reduce Rnase H in cloned [RT]." 224 F.3d at 1323. The inventors were told nothing further by Goff, neither the exact nor proximate location of his insertions. In contrast, the inventors had produced a mutant RT enzyme created by removing Rnase H activity from the carboxyl terminal end of the RT enzyme.

Colleagues of the inventors attended a presentation of his RT research by Goff, and discussed Goff's presentation with the inventors. The inventors surmised, based upon those conversations with colleagues, that Goff had demonstrated "similar results" to what they had achieved from the insertion mutations he had described by telephone. 224 F.3d at 1323. In short, the conjecture of the inventors based upon Goff's telephone conversation and those vague reports from colleagues was that Goff had derived "similar results" from a different invention.

The Federal Circuit held that "information lacks the specificity and definiteness required to support a patentability rejection under 35 U.S.C. 102(g)." 224 F.3d 1327. The Court stated:

> "While the inventors knew that Goff had potentially achieved a reduction in RNase H activity in RT enzymes, the inventors were unaware of when these results were achieved, how they were achieved, the degree to which the RNase H activity was reduced, or whether DNA polymerase activity was retained. Knowledge of these details would have been required for the Examiner to consider whether Goff was a prior inventor. Because the inventors lacked such crucial information, the incomplete knowledge that they did have regarding Goff would not have been material to a reasonable Examiner." 224 F.3d at 1327.

In addition, the Court noted that in a continuation application, the inventors had revealed their knowledge of Goff's work, and the examiner allowed the application to issue over the newly revealed information regarding Goff, stating that the new information had "no bearing on the patents issued or the instant application. Such a strong statement regarding the Goff information is highly probative of its immateriality." 224 F.3d at 1327. In contrast, GFI knew of a specific date of reduction to practice by Durling that predated GFI's first public use and the filing date of its application for patent. GFI had seen During's sofa one month before its first public use, and knew that it contained each of Sproule's elements of construction. GFI's patent counsel, Greenfield, had advised GFI that Durling's activity could prevent GFI from obtaining a patent, and GFI should obtain a license from Durling to protect itself. That amount of specific knowledge was more than enough to qualify the Durling information as material, imposing a duty on GFI to disclose that information to the PTO.

The Federal Circuit Court of Appeals decisions relied upon by GFI establish a correct standard for interpretation of the duty of disclosure imposed on an applicant for patent by Congress in 37 C.F.R. 1.56. And, contrary to GFI's argument, the

decision of the Federal Circuit in the present case is consistent with that correct standard. Greenfield's experience as a patent examiner, followed by his many years in private practice prosecuting patent applications, taught him that there was a substantial likelihood that a reasonable examiner would consider the Durling information important in deciding whether to allow the Sproule application to issue as a patent. After advising GFI he held that opinion, he nevertheless withheld that information from the PTO. The inescapable conclusion was that he did so with the intent to deceive the PTO. GFI now requests this Court to disturb the Federal Circuit's correct standard, and set a new, narrower duty of disclosure that would excuse Greenfield from his breach of that duty in the present case. This Court should decline that invitation, and deny GFI's petition for a writ of certiorari.

C. Limiting A Patent Applicant's Duty Of Disclosure To Prior Art Would Damage The Patent System

A patent is presumed to be valid. To earn that presumption, an applicant for patent must overcome the scrutiny of an examination system founded by Congress and entrusted with the duty of adding to the store of knowledge for the common good. The examiners are provided with copies of issued foreign and domestic patents, and access to extensive literature related to the subject matter applicable to their assignments.

Unfortunately, much of the relevant knowledge an examiner needs to consider is not found in the source material readily available to the examiner. Consequently, Congress placed a duty on an applicant for patent to inform an examiner of relevant information known to the applicant that is material to the patentability of his invention. Although the language defining that duty changes periodically, the intent that gives rise

to that duty remains the same – to aid the examiner in his examination of the application.

To comply with that duty and obtain a patent, an applicant may spend hundreds or thousands of dollars to prosecute an application for patent through the examination process. Once a patent is granted, gaining the presumption of validity, the patentee is given the right to sue anyone who infringes that patent. An entity accused by civil action of infringing a patent can expect to spend hundreds of thousands or millions of dollars defending against that accusation. A patent represents an enormous threat to any individual or business.

Because of the enormity of its threat, every effort must be made to insure that no invalid patent issues, so that markets are not disturbed unjustly and individuals or businesses are not unjustly required to pay royalties to the owner of an invalid patent. The best way this Court can aid that patent system is to leave in place a broad duty on an applicant for patent to disclose to the examiner all material information, whether or not prior art, that a reasonable examiner would consider important to his consideration of the issue of patentability.

GFI breached that duty, and having been found out in its breach by the trial Court and the Federal Circuit Court of Appeals, now petitions this Court to retroactively define a narrower duty so it can escape from its embarrassment. GFI offers no persuasive reason why its failure to honor that duty should be excused, but instead argues that the duty imposed upon it was too great. If this Court were to narrow that duty as GFI requests, more invalid patents would be granted, and enormous resources wasted by petitioning the judicial system to declare those patents invalid. The consumer, the entrepreneur and the courts would suffer so that GFI could escape its discomfort.

CONCLUSION

For the above reasons, GFI's Petition For Writ Of Certiorari should be denied.

Respectfully submitted,

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